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Select Committee on the Climate Crisis

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"International Climate Challenges and Opportunities"

Questions for the Record

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The Honorable Kathy Castor

1. **You testified that it is very important that the United States meet our international climate finance commitments. How does U.S. climate finance aid help to meet development and humanitarian needs in vulnerable communities, support adaptation, and advance our own national interests?**

The climate crisis is one of the biggest threats facing humanity and jeopardizes the development gains the world has worked so hard for. Confronting climate change is the most pressing issue of our time, and action on global climate adaptation now will drive global climate resilience in the future. U.S. International Climate Finance is crucial to helping meet escalating development and humanitarian needs in vulnerable communities. The climate crisis disproportionately affects the communities Mercy Corps works with: vulnerable communities facing poverty, fragility, conflict and already suffering the devastating impacts of continued environmental degradation. As the largest bilateral assistance donor, the U.S.'s continued commitments to global climate finance will help countries adapt to the devastating impacts of climate change already being felt, like food insecurity, poverty, and drought, and help countries pursue low carbon development pathways to overcome their development challenges.

We are already experiencing the devastating impacts that climate change has on almost every aspect of life — from food and water insecurity to infrastructure and public health. Our research has found that a vast majority of the most climate-vulnerable countries received less than $20 per person per year in climate change adaptation financing from 2010–2017[1]. Through our programming, we have seen how important adapting to climate variability is and how investments in crop and livelihood diversification, seasonal climate forecasting, community-based disaster risk reduction, famine early warning systems, insurance, water storage,

[1] Zurich Flood Resilience Alliance. 2020. At What Cost: How chronic gaps in adaptation finance expose the world's poorest people to climate chaos. floodresilience.net/resources/item/at-what-cost-how-chronic-gaps-in-adaptation-finance-expose-the-world-s-poorest-people-to-climate-chaos/

supplementary irrigation can mean the difference between success and failure for those dependent on these means to survive. And this crisis is exacerbating inequalities that intersect with gender, race, ethnicity, and economic security.

Climate risks, like climate change, are felt in hyper local contexts and amplified at the global level. According to the October 2021 Climate Risk Analysis by the U.S. Department of Defense, Climate change is "reshaping the geostrategic, operational, and tactical environments with significant implications for U.S. national security and defense. [With the] increasing temperatures; changing precipitation patterns; and more frequent, intense, and unpredictable extreme weather conditions caused by climate change [we have found climate change a force] exacerbating existing risks and creating new security challenges for U.S. interests"[2]. Climate change threatens military installations around the world, increases the number and frequency of missions undertaken at the DoD, compounds the challenges and drivers of climate migration, and exposes U.S. defensive vulnerabilities - all of which could be exploited by and embolden malign actors.. It is in America's best interest to avoid the destabilizing effects of climate change and assume the risks associated with increasing climate variability unleashed at home and abroad.

Through the President's Emergency Plan for Adaptation and Resilience (PREPARE), the U.S. intends on adopting a whole-of-government approach to supporting developing countries and communities in vulnerable situations around the world adapt to and manage the impacts of climate change. This response also stresses the importance of centering local communities and empowering local leaders with the power and resources to build resilience to climate change. This initiative also underscores the importance of multi-sectoral adaptation efforts, collaborative action and the need for smart investment that avoids duplication, enhances efficiency, and galvanizes good practice to combat climate change. Mobilized in this manner, U.S. climate finance and the U.S. commitment to supporting developing countries will help to speed up the delivery of global emissions cuts - ultimately leading to less damages, destruction, and destabilization of communities around the globe. The PREPARE Initiative also mobilizes finance and private capital to bridge the global climate financing gap. It aims to accelerate financing of adaptation measures by: contributing to and shaping new and existing multilateral and bilateral adaptation funds, supporting multiple climate risk finance strategies, strengthening capacity to access finance for adaptation and develop bankable investments, and striving to leverage both public finance and private capital.

[2] Department of Defense, Office of the Undersecretary for Policy (Strategy, Plans, and Capabilities). 2021. Department of Defense Climate Risk Analysis. Report Submitted to the National Security Council.

2. **In your statement, you called for the U.S. government to work with the private sector to support climate adaptation. What can the private sector do to support climate adaptation and resilience in vulnerable communities?**

The standard humanitarian and development tools deployed by wealthy governments and development finance institutions – largely sovereign loans and project contracts or grants – are insufficient in scope and scale to meet the climate change challenge. To reach the level of funding required, it is essential to unlock far greater amounts of private capital and to encourage investments in higher risk environments. Today, private sources represent more than 90 percent of financial flows into emerging markets, and it has been estimated the annual need to respond to the scale and severity of the climate crisis, in green infrastructure and other adaptation and mitigation efforts, is around $5 trillion USD[3].

Inclusive growth can only be achieved with the private sector to spur greater development and humanitarian impact. There are opportunities for the private sector to invest in adaptation as part of a global green economy. Entrepreneurs are finding ways to help communities cope with the impact of climate change. They now need capital and support to bring their offerings to scale.

Development and business leaders alike recognize that by collaborating and leveraging each other's unique resources, assets, and skill set, we can tackle problems together that neither of us could address alone. There is a $23 trillion global market for climate-smart investments in emerging markets[4] that needs to be utilized to reach our collective climate adaptation and resilience goals. Markets offer vital channels for advancing access to climate-smart and risk-reduction products and services, particularly in contexts with weak public sector services or protracted crises.

Governments can assist with mainstreaming and integrating climate change adaptation into national, sub-national and sector planning and budgeting. This mainstreaming goes hand in hand with financial instruments, procurement policy and access to flexible funding streams - all of which can continue to ensure effective and efficient use of public dollars in assistance. During the annual U.S. Federal budget and appropriations process, for example, Congress can allow for more flexibility in funding within the assistance budget, to allow local actors and development agencies to rapidly overcome emerging issues, overcome barriers to entry, de-risk investment and be more adaptive in planning and implementation. Doing this will enable more effective co-creation, innovative financing, and partnerships with a diverse array of actors. This nimbleness can mobilize private businesses around the world to advance our core priorities.

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[3] https://www.wri.org/insights/low-carbon-growth-26-trillion-opportunity-here-are-4-ways-seize-it

[4] International Finance Corporation. (2016). Climate Investment Opportunities in Emerging Markets: An IFC Analysis. Retrieved from https://www.ifc.org/wps/wcm/connect/59260145-ec2e-40de-97e6-3aa78b82b3c9/3503-IFC-Climate_Investment_Opportunity-Report-Dec-FINAL.pdf?MOD=AJPERES&CVID=lBLd6Xq

3. **In your testimony you described climate as a threat multiplier. What types of assistance can address this climate-conflict nexus and how the United States could demonstrate leadership here?**

The relationship between climate-related risks and conflict is complex and often intersects with political, social, economic, and demographic factors, amplifying and compounding threats and stressors. Despite the urgent need for more effective responses, funding for climate adaptation rarely makes it outside of capitals, with only approximately 10% of climate finance reaching local levels. Climate change will have the most pronounced consequences in fragile states because those with weak institutions and a history of conflict are ill equipped to effectively respond to the challenge and, ostensibly dealing with compounding crises, they are often passed over for "stabler" places for investment. It is estimated nearly a third of conflicts from 1980-2016 were preceded by climate-related disasters. Research suggests climate-related disasters increase the risk of armed conflict, showing that states with large populations, political exclusion and low levels of human development are particularly vulnerable. Governance challenges in these countries often amplify the negative effects of climate change by undermining institutional capacity, damaging public trust and the strength of social contract, and sustainable development broadly.

As such, strengthening local and state capacity to create an enabling environment for peace and stability and supporting climate resilience is critical. A recent study produced by Mercy Corps implies that the capacity of states to prevent, mitigate and respond effectively to the social and economic challenges brought about by climate change, may determine, in large part, whether violence occurs[5]. U.S. programming should prioritize efforts to identify the knowledge and technical gaps of formal and informal institutions and build capacity to manage natural resources, address tensions and disputes, and respond to disasters effectively. Important to this work will also be establishing or strengthening conflict early warning systems as well as climate and weather information systems (weather, seasonal forecasts, early warning systems) to inform timely and effective local investments,

Relatedly, programming should prioritize helping local government actors and civil society organizations manage use of and competition over natural resources. Developing resource sharing agreements and joint management across administrative boundaries can improve coordination and use, build trust through information sharing, and ultimately reduce resource tensions. Further, working with communities, especially youth, to identify and support alternative economic opportunities can diversify sources of employment. Strengthening and diversifying natural resource-based livelihoods can lower the risk of conflict between groups and allow communities to better cope with climate shocks and stresses, improving food security. Assessing vulnerabilities and risks of food systems and facilitating access to improved technologies, including information services, can help reduce crop loss and improve yields, while facilitating market linkages can increase household income.

[5] Jene, Lisa and Beza Tesfaye (2020). Addressing the Climate-Conflict Nexus in Fragile States: Understanding the Role of Governance. Mercy Corps. https://www.mercycorps.org/sites/default/files/2020-11/Addressing-the-Climate-Conflict-Nexus_Full-Report_11.6.pdf

4. **How have you seen climate change undermine vulnerable populations, especially with respect to women and girls? How can the United States demonstrate greater leadership to address these impacts and ensure that assistance reaches vulnerable women and girls?**

Women and men are experiencing climate change differently, as gender inequalities persist around the world, affecting the ability of individuals and communities to adapt. It is crucial that our aid recognize and amplify the important contributions of women as decision makers, stakeholders, educators, carers and experts across sectors and underscore the importance, at all levels, of integrating gender concerns and gender equity in policies and programming to ensure successful, long-term solutions to climate change.

We have identified three critical areas for women's participation in building resilience: 1) household decision-making, 2) meaningful participation in community groups, and 3) access to market linkages. Gender inequality, specifically in these areas, undermine and limit women's ability to prepare for, respond to and recover from shocks. Mercy Corps' resilience programs, globally programmed in diverse contexts like Nepal, Niger, and Indonesia, are invested in generating knowledge around the intersection of gender and resilience in practice. Advancing women's participation in household decision-making, community organizations, and markets is critical to strengthening their individual resilience and that of their families and communities. Designing programs that effectively reach women and strengthen their resilience capacities requires an in-depth understanding of key gender dynamics in the program setting.

There are three ways the United States can demonstrate leadership in addressing the effects of climate change on women and girls. First, the U.S. can continue to integrate gender into all of the Agency's climate change and development strategies. Second, it can support the advancement of research to increase knowledge around the intersection of gender and climate change. In doing so it should highlight the need to address gender and social nuances in climate change vulnerability assessments, develop related guidance, and create opportunities for women and girls directly affected by climate change to contribute to identifying sustainable solutions. Third, the United States can continue to expand on the development of Climate Change Gender Action Plans (ccGAPs), as piloted by USAID in Peru and Namibia, mainstreaming ccGAPs within all of USAID's Country Development Cooperation Strategies and identifying a climate change policy or strategy guided by gender-specific issues in each priority sector.

5. **Why is it so important to support local actors, local solutions, and the localization of aid when it comes to adaptation and building climate resilience?**

Climate change is both a global and a hyper-local issue. The causes impact everyone at a global level, however efforts and responses are coordinated at and informed by the local level. To tailor climate financing and climate resilient projects in a bespoke way, we must ensure that local leaders and communities are engaged deeply in the design and implementation of climate adaptation plans.

Local communities are on the frontlines of climate change impacts, yet rarely do they and other local actors have a voice in the decisions that most affect them. Their engagement is central to ensuring that climate adaptation efforts are effective. Subnational governments and local stakeholders are key implementers of national policies. Local governments are often the first to respond to localized climate change impacts, and their strong connections to the community and local knowledge mean they are often best placed to recognize the need for adaptation at a local scale. The United States can demonstrate leadership by ensuring that local organizations in developing countries have a seat at the decision-making table and designated leadership roles in U.S. government programs seeking to respond to climate change. Funding to build capacity and transparency can also contribute to enhancing and promoting country ownership and increase sustainability.[6] Reaffirming the USG's commitment to locally owned, locally led, and locally sustained will make assistance better tailored to local political realities, power dynamics and incentive structures.

Multiple U.S. government instruments—including Fixed Amount Reimbursement Agreements (FARA), Public Financial Management Risk Assessment Framework (PFMRAF), and Political Economy Analysis (PEA)—exist to enable the U.S. to invest in accountable local systems, in government, and in civil society while protecting U.S. taxpayer dollars from unnecessary risk[7]. The United States can help to, as USAID Administrator Power mentioned in her "New Vision for Global Development" speech, shift the status quo and center of gravity that seeks to maintain the present development and humanitarian apparatus, and lead the way to help identify new partners, strengthen the pathways for true capacity sharing and establish genuine partnership with local actors. The traditional power dynamics of donor-driven development (and the systemic inequities in place within it) undermine sustainable development. By the United States, the world's largest donor, amplifying the local voices of those who too often are left out of decision making and ensuring they have the technical support to co-design, set priorities, drive implementation and evaluate the impact of the programs and define success, the world can unlock untapped potential of millions and fight corruption, strengthen governance and bolster accountability - all of which accelerate and enable effective climate change action.

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[6] Somanathan E., T. Sterner, T. Sugiyama, D. Chimanikire, N.K. Dubash, J. Essandoh-Yeddu, S. Fifita, L. Goulder, A. Jaffe, X. Labandeira, S. Managi, C. Mitchell, J.P. Montero, F. Teng, and T. Zylicz, 2014: National and Sub-national Policies and Institutions. In: Climate Change 2014: Mitigation of Climate Change. Contribution of Working Group III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change [Edenhofer, O., R. Pichs-Madruga, Y. Sokona, E. Farahani, S. Kadner, K. Seyboth, A. Adler, I. Baum, S. Brunner, P. Eickemeier, B. Kriemann, J. Savolainen, S. Schlömer, C. von Stechow, T. Zwickel and J.C. Minx (eds.)]. Cambridge University Press, Cambridge, United Kingdom and New York, NY, USA

[7] T. S. Ahmad. (2015). To Fight Corruption, Localize Aid: How US Foreign Assistance Can Support a Locally Driven Fight Against Corruption. Washington DC: Oxfam America. from https://s3.amazonaws.com/oxfam-us/www/static/media/files/CorruptionFINAL-small.pdf

6. **Clean renewable energy (solar, wind, and small-scale hydropower) is often the cheapest source of electricity for vulnerable communities in African countries. A recent Brookings analysis finds that African countries are leading the world in expanding access to electricity via off-grid solar and storage technologies. Could you please explain how renewable energy provides cleaner and more cost-efficient solutions for vulnerable people and communities in different countries across Africa? Are there examples of communities bypassing polluting fossil fuels altogether and deploying clean and renewable strategies to meet their energy needs?**

Renewable energy and energy efficiency are key to sustainable development, enabling energy access, spurring economic growth, creating employment, and improving health. Today, more than 800 million people lack access to energy globally, 8 in 10 of whom live in "fragile" states where communities also face a myriad of complex challenges related to conflict, weak governance and insecurity, as well as the growing impacts of climate change. Advancements in clean energy generation and storage technologies, plus innovations in off-grid business models have enabled decentralized energy services to leapfrog fossil fuel-based solutions for a growing number of households and communities, particularly in East Africa. [8] Centralized energy sources and usually fossil fuel based energy systems have failed to serve these communities for decades. . This leapfrogging has spurred investment in many new companies and can allow for individual households, buildings, and businesses to manage their own energy production and consumption and overcome affordability obstacles for poorer households.

As well as being more effective in reaching these underserved communities, renewable energy solutions have also proved to be more cost effective. Of the wind, solar and other renewables that came on line in 2020, nearly two-thirds – 62% – were cheaper than the least expensive new fossil fuel[9], according to the International Renewable Energy Agency (IRENA). According to a IRENA 2020 report, "Renewable Power Generation Costs in 2020 shows that costs for renewable technologies continued to fall significantly year-on-year. Concentrating solar power fell by 16 per cent, onshore wind by 13 per cent, offshore wind by 9 per cent and solar by 7 per cent. With costs at low levels, renewables increasingly undercut existing fossil fuel-based generation and distribution costs.

To connect the poorest and hardest to reach households, off-grid solutions, including solar lighting, solar home systems, and increasingly mini grids, will be crucial. At Mercy Corps, through our recent merger with Energy for Impact (E4I), we will be able to create and bolster opportunities to increase energy access and use for the communities that need them most, integrate energy into sectors such as agricultural development, economic growth, youth employment, humanitarian recovery and climate resilience and push the frontier on research, development and design.

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[8] Cilliers J. (2021) Technological Innovation and the Power of Leapfrogging. In: The Future of Africa. Palgrave Macmillan, Cham. https://doi.org/10.1007/978-3-030-46590-2_10

[9] IRENA (2021), Renewable Power Generation Costs in 2020, International Renewable Energy Agency, Abu Dhabi.

The U.S.'s Power Africa Initiative, which provides technical support for clean energy procurement and helps mobilize private capital for clean energy projects, should serve as a model for U.S. leadership in the clean energy space and in programming focused on developing clean and renewable strategies to meet energy needs. Through the Power Africa initiative, and others modeled like it, the United States has the comparative advantage of leveraging its convening power to inspire technology-rich, multi-sectoral, multi-regional and cost-optimal global energy transition pathways. Power Africa's enterprise driven approach has motivated the private sector to invest in power generation projects, developed transmission and distribution resources, improved government capacities to manage their power sectors, and ultimately, leveled the playing field for competitive investment[10].

[10] USAID, 2018. *Power Africa 2018: Annual Report*. [Online] Available at: https://www.usaid.gov/sites/default/files/documents/1860/2018-Annual_Report1015_508.pdf. ZLM Project Engineering, The Case for Offshore Energy in KwaZulu-Natal, 26 April 2019, 2018 Draft IRP released by the South African Department of Energy.